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AMERICA AND THE WORLD'S TRADE

BY A. MAURICE LOW

THERE has been much loose and, as usual, unscientific and ignorant talk of the United States having gained permanent control of the world's trade. It has been discussed with heat and partisan zeal, and therefore without regard to the facts. Economics can now be considered regardless of the effect they may have on party fortunes. Speculative theories colored by bias can be dismissed and the truth revealed by a very simple test. It is curious that in all that has been said and written on the subject during the year or more that has passed since American exports assumed their present importance no one has thought proper to apply the only, sure means to ascertain the truth.

American exports for the seven months ending July, 1914, had an aggregate value of \$1,178,676,000, in round figures, and in the corresponding period for this past year they increased to \$2,892,712,000. These are the figures of the Department of Commerce, they are the latest available in detail at the time of writing, and they are more valuable than would be those bringing the statistics down to a later date. In the seven months from January to July, 1914, the world was at peace and commerce was normal; the exports therefore represented the ordinary trade of the United States unstimulated by artificial demands or to supply the vacuum created by the withdrawal of European labor from its regular occupations to meet the requirements of war; American manufacturers were turning out their regular output and were not working under forced draft. In the first seven months of 1916 industrial conditions, not only in Europe but also in the United States, have been abnormal, and demands have been created for certain articles, the

product of the farm, the mine and the factory, that could be only supplied by the United States. In a word, this increase of \$1,700,000,000 in exports is practically the demand made by war.

The bulk of the American export trade is comprised in twenty-three great groups. In 1914 (all references to 1914 and 1916 mean the seven months from January to July in both years and not the full calendar years) the total exports were \$1,178,676,000, of which \$851,128,000, or 72.21 per cent. of the total, were articles belonging to these twenty-three classes. In 1916 the total exports were \$2,892,712,000, of which \$2,491,322,000, or 86.12 per cent. of the total, were similarly classified. These figures are of vast significance when subjected to more detailed analysis.

The twenty-three great groups and the exports for the two years, in money values, were as follows:

TABLE I

PRINCIPAL EXPORTS OF THE UNITED STATES

	Seven months ending July, 1914.	Seven months ending July, 1916.
Horses and mules.....	\$2,398,000	\$44,939,000
Brass, and manufactures of.....	4,248,000	157,833,000
Breadstuffs	95,979,000	261,658,000
Aeroplanes, and parts of.....	176,000	3,175,000
Autos, and parts of, not including engines and tires	20,729,000	69,898,000
Railway cars, parts of, and motorcycles.	6,665,000	24,346,000
Chemicals	15,930,000	89,623,000
Copper, and manufactures of.....	84,658,000	127,844,000
Cotton, unmanufactured	235,102,000	249,471,000
Cotton, manufactured	28,159,000	72,541,000
Explosives	3,793,000	384,147,000
Tires	2,102,000	10,847,000
Iron and steel, and manufactures of, including firearms	120,816,000	442,640,000
Leather, and manufactures of.....	33,444,000	82,660,000
Meat and dairy products	79,333,000	178,333,000
Alcohol	38,000	11,468,000
Sugar	965,000	60,581,000

Dried and tinned vegetables.....	4,499,000	10,292,000
Wearing apparel, woolen and other rags	2,851,000	30,527,000
Zinc, and manufactures of.....	209,000	29,911,000
Mineral oils	87,208,000	112,025,000
Vegetable oils	9,878,000	16,194,000
Paper, and manufactures of.....	11,948,000	20,369,000
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Total	\$851,128,000	\$2,491,322,000

Anyone who will take the trouble to give even cursory examination to these figures cannot fail to be impressed by two things. One is the wealth the war has poured into the United States, the other is that this flow of gold will cease when peace is declared. Take the first item on the list, horses and mules. Here exports jump from \$2,400,000 in round figures to nearly \$45,000,000. Accepting the 1914 figures as the normal demand of the world for American horses and mules it must be obvious that the difference, almost \$43,000,000, is the demand created by the war, which has greatly increased the gains of the American farmer and horse raiser; and when war no longer exists the demand will cease as suddenly as it was created. If further proof is required it is to be found in a brief study of the figures in detail. In 1914 no American horses were exported to France, in 1916 she was a purchaser to the amount of \$22,296,329. In 1914 England paid only \$200,400 for horses bought in America, but in 1916 they cost her \$4,395,495. Mules of course tell the same story.

The more the figures are subjected to minute analysis the more clearly it is seen that the great increase in exports over the normal is purely a war demand; and it cannot be too often repeated that the demands made by the war will cease as soon as the war ceases. Exports in 1916 were approximately 245 per cent. greater than in 1914, that is, almost two and a half times as large; in dollars the gain was \$1,700,000,000 in favor of this year; but the increase in the exports of articles made necessary by the war is even more striking. Rather more than half of this net increase of one billion seven hundred millions is made up by just three exports: brass and its manufactures, explosives, and iron and steel and its manufactures, including firearms, aggregating in excess of eight hundred and fifty millions.

Brass, because of its use in the manufacture of ammunition and for other military purposes, needs no explanation; nor do explosives and firearms, for which the world had practically no use for imports from the United States before the war; but the subclasses in the iron and steel group show how the war trade has ramified in a hundred directions. The exports of metal working machinery and machine tools, for example, increased nearly sevenfold, from \$7,500,000 to \$47,000,000, and seven-eighths of this difference of \$40,000,000 is accounted for by exports to three belligerents, France \$10,600,000, Russia \$8,100,000, United Kingdom \$13,500,000, Canada \$4,300,000; and Canada, it should be remembered, requires metal working machinery and machine tools for the ammunition and machine guns she is manufacturing for the British Government. It is the same in regard to leather and its manufactures, which show an increase of from \$33,000,000 to \$82,000,000. In 1914 American boot and shoe exports to Italy and Russia were too insignificant to be separately listed and were included in "other countries." This year Italy paid \$5,225,000 for American footwear and Russia \$5,613,000, these two countries alone spending nearly \$800,000 more than the value of the entire export boot and shoe trade in 1914.

Every group that is examined indicates the same result. Meat and dairy products made the American farmer \$100,000,000 better off in 1916 than in 1914, but that is not surprising when it is seen how the war forced the belligerents into buying American supplies so greatly in excess of their normal peace requirements. In 1914, for instance, the value of all the canned beef exported amounted to only \$258,912, of which rather less than half, amounting to \$108,456, was bought by England. This year the exports rose to \$6,334,479 and England took \$6,121,110. American trade in fresh beef in 1914 was negligible, the total export being only \$480,011, of which Panama took \$390,523. This year the exports jumped to \$15,752,662, and while Panama's taste for American fresh beef was satisfied at a cost of \$84,494, France, Italy and the United Kingdom between them spent fourteen million dollars. The exports of woolen wearing apparel and rags rose from \$2,851,000 in 1914 to \$30,527,000 in 1916 because of the demand for uniforms and the cloth out of which to make them, but in the peace year Europe was able to meet its own consumption and did not have to buy woolen

clothing in this country. The increase in the exports of alcohol from \$38,000 to more than \$11,000,000 is startling but not surprising, for an enormous amount of alcohol is used in the manufacture of explosives. Likewise the increase of sugar exports from less than a million to more than sixty millions is owing to the fact of France having been compelled to import sugar as her beet fields are in the temporary possession of Germany; and England, no longer importing beet sugar from Germany has repaired the deficiency by purchases in the United States.

It will perhaps be said that these figures of exports are in a sense misleading because of the great increase in the price of every article of prime necessity. This is true in a measure, but only in a measure. There has been, as everyone knows, an enhancement in all commodity prices, but the appreciation is largely the result of the war, and it is especially so in those articles constituting the bulk of the export trade—iron and steel, breadstuffs, meats, copper, chemicals. Not only has the war increased the volume of exports but also their prices, so that in the actual amount sold and the money that has been realized it is the war that has brought both the trade and the money to the United States.

I shall not overburden this article by citing unnecessary figures. Those that have been given incontrovertibly demonstrate that the abnormal export trade of the United States—abnormal, that is, when the exports of 1914 are taken as the normal—is a war trade, called into existence by the war, and for its existence dependent solely upon the continuation of the war. Two questions, however, are pertinent. One is, how much of this trade created by the war will be retained by the United States after the war? The other is, how much of the trade formerly enjoyed by Europe with Latin America has permanently passed into the hands of the United States?

As to what may happen sometime in the future, the guess of a fool is no worse than that of the wisest person when there is no basis for exact calculation. Speculation would be futile, but the statistics permit a fairly safe conclusion to be reached. The total export trade of 1916 was \$1,700,000,000 greater than that of 1914. Let us first consider those articles of the year 1916 export whose nature indicate clearly they were imported solely for war purposes and for which no demand in excess of normal can exist in peace times.

TABLE II

EXPORTS FOR WAR PURPOSES

	Exports in 1916 in excess of the normal year 1914.
Horses and mules	\$42,541,000
Aeroplanes	2,999,000
Autos, and parts of.....	49,169,000
Railway cars, and parts of.....	17,681,000
Chemicals	73,693,000
Cottons	44,382,000
Explosives	380,354,000
Tires	8,745,000
Leather, and manufactures of.....	49,216,000
Alcohol	11,430,000
Sugar	59,616,000
Wearing apparel	27,676,000
Zinc, and manufactures of.....	29,702,000
Total	<hr/> \$797,204,000

It must be self-evident that when Russia makes a sudden demand on the United States for railway cars it is not because of the natural growth of her internal commerce but the compulsion of military necessities. A similar cause can be ascribed when France, hitherto importing practically no steel billets from America, is a purchaser in this market to the extent of \$31,033,792, and England must buy tin plates in the United States. It is the same in regard to explosives, sugar and all the other articles in the foregoing table. We can therefore safely deduct from the excess exports of 1916 \$797,204,000, leaving a balance of \$902,796,000 in favor of the present year.

It is more difficult to deal with the remaining ten groups because it is impossible to tell even approximately whether had the world been at peace and engaged in no more tragic occupation than making money Europe would have purchased more American automobiles, bread and meats in 1916 than it did two years earlier. There is no good reason to believe that, under normal conditions, there would have been any marked change in international trade; and one feels justified in cautiously advancing this theory because of the known conditions. In 1914 the world was enjoying fair prosperity. There was no great boom, but there was

no widespread depression. The great industrial nations were not complaining of hard times, there was no excessive unemployment, money was not being hoarded, and capital showed no timidity. There was no fear of war to curtail adventure or cause excessive prudence, for it was only in the last days of July, 1914, that the storm burst and the whole world stood amazed.

In all probability the world's trade in 1916 would have been larger than in 1914 because of the progressive increase of the world's wealth, and of that wealth the United States would have secured its fair share, but it would have been small, negligible almost, compared with what has taken place. Europe would have bought breadstuffs, raw cotton, certain manufactures of iron and steel and other articles, both raw materials and finished products, for which it must perforce come to the United States, but only on the scale of its well established consumption. Accepting 1914 as a normal year we are justified in regarding the 1916 exports as abnormal, and in the following table the excess is given.

TABLE III

EXPORTS OTHER THAN THOSE FOR PURELY MILITARY PURPOSES

	Excess in 1916 over the normal year 1914.
Brass, and manufactures of.....	\$153,585,000
Breadstuffs	165,679,000
Copper, and manufactures of.....	43,186,000
Cotton	14,369,000
Iron and steel, and manufactures of....	321,824,000
Meat and dairy products	99,000,000
Dried and canned vegetables.....	5,793,000
Mineral oils	24,817,000
Vegetable oils	6,316,000
Paper, and manufactures of.....	8,421,000
Total	\$842,990,000

The excess disclosed by Tables II and III aggregates \$1,640,194,000, which means that instead of the normal and regular exports of the United States having increased \$1,700,000,000 in 1916 they would have shown an increase of only \$58,806,000, in round figures, as compared with 1914 had it not been for the stimulus of the war. This is an increase of

a trifle more than five per cent. in two years, which is satisfactory but not remarkable. That this war trade will not be held after the war needs no argument.

The second question, whether American trade with South America has been increased by the war is quickly and definitely answered by the statistics. It will be remembered that 86.12 per cent. of the total export trade of the United States in the year 1916 was either in raw materials or farm products that the world has for a number of years regularly bought from the United States, such as cotton, copper, wheat, meat and dairy products, or manufactured products for war purposes, the bulk of the raw materials, farm products and manufactures being taken by the Allies; thus leaving less than 14 per cent. of all the exports to be absorbed by the non-belligerents of Europe, South America and the Orient. Space will not permit a detailed presentation of exports to South America, but a few figures will prove that the war has not turned the current of trade of South America from Europe to the United States.

TABLE IV

EXPORTS OF THE UNITED STATES TO SOUTH AMERICA

	1914	1916
Wheat flour	\$4,391,476	\$3,367,527
Agricultural implements	1,487,097	2,762,834
Autos	709,239	2,805,030
Carriages	44,831	24,160
Railway cars	1,135,361	454,914
Cottons	1,256,620	4,037,138
Steam locomotives	578,536	136,822
Sewing machines	1,440,027	426,002
Typewriters	350,478	380,060
Steel rails	1,193,955	361,775
Structural iron and steel.....	769,334	694,222
Tin plates	101,485	1,689,685
Wire	902,655	3,946,176
Boots and shoes.....	912,638	735,983
Illuminating oil	4,247,465	3,530,292
Cottonseed oil	1,629,864	902,693
Boards, planks, &c.	3,033,530	1,395,018
Furniture	551,374	233,540
Total	<u>\$24,735,965</u>	<u>\$27,883,871</u>

American exports to South America have increased in two years from \$24,735,965 to \$27,883,871, that is, a gain of \$3,147,906, or 12.72 per cent. A satisfactory gain if it can be maintained, but in view of the circumstances not at all phenomenal. It should be remembered that these figures do not represent the total of American exports to South America but are the principal exports, and only those articles of sufficient importance to be itemized in the monthly summary of the Department of Commerce.

The remaining problem is whether after the war the Allies will continue to buy from the United States on the lavish scale they have been doing since the beginning of the war; not of course war materials, for with peace there will be no demand for military supplies, but to rebuild war torn Europe. Cities and villages ground into powder by shell fire and flame must be restored, bridges and railways must be replaced, the enormous destruction of the war must be made good. Europe must come to the United States for its iron and steel, lumber, raw materials of every kind as well as many manufactures because the demand will be so great and so insistent the labor of Europe will not be able to supply its own needs, and the enormous resources of the United States will be heavily drawn upon to meet the deficiency. This is the rose-colored vision of the optimist, who sees an even larger export trade after the war than now exists. He may be right, because as I have already said, when there is nothing on which to base a calculation one guess is as good as another, but the known facts suggest a more conservative view.

A nation is no different from an individual. When a farmer has lost his crops by drouth, floods, disease, when he has had to raise money by selling his investments and then by borrowing on mortgage at high rates of interest, and finally has his house and his barns and much of his stock and many of his agricultural instruments swept away by fire, which kills one of his sons, cripples another, and incapacitates for the time being a third, what does the man do? He either submits to fate and refuses longer to struggle, or refuses to yield to fate and buckles down again to his task of recreating what he has lost. He knows what he has to face. He knows he will have to be content with bare necessities and must eschew all luxury. He will rebuild his house, because he must have a roof to cover him, but plain walls

must suffice. In the days of his prosperity he had an automobile, but now it is only a memory and a heap of charred junk, and he will walk instead of riding.

That will be the position of Europe after the war, victor and vanquished alike. It will rebuild and restore, but slowly and economically. When a great fire or earthquake levels an American city its people, before the ruins are cold, begin the planning of a greater and more wonderful city, and they will work night and day to make their plans a reality. That is not the temper of the European. He has imagination, but it is the imagination that envisages the future in the history of its past. What has come to growth in a thousand years cannot be reborn in a day, nor does he desire it. Each generation has done its part, and it is for the coming generations to share their burden. He does not mortgage the future. The French peasant will rebuild his farmhouse as it was before Germany let loose the crimson flood of death, but brick by brick and stone on stone, skimping his food and his clothing, economizing and saving until he has the money to buy what he needs, with the horror of debt always before him and none of the enticement of debt that is the delight of the American, who will mortgage his ground to build his house, and mortgage his house to buy his stock, and be proud of his audacity in taking the long chance.

There is one export, however, which does not appear in the Government returns, but it will be a source of wealth to the United States for many years to come. That is the export of credit. Since the beginning of the war and up to the present time the United States has extended to the world credit approximating \$2,000,000,000 at rates of interest ranging from five to six per cent. That means an income of \$100,000,000 or more which the world must pay to the United States, and as the colossal sum the world has borrowed cannot be quickly repaid the United States will continue to be in receipt of this income. In addition the United States has repurchased from Europe its own securities estimated to have a face value of \$2,000,000,000 and involving an average interest charge of \$100,000,000 a year, which paid to its own people instead of going abroad increases the real wealth of the United States by that sum. Two hundred million dollars a year, and more probably before the war is over, is the lasting profit the United States has made out of the war.

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